

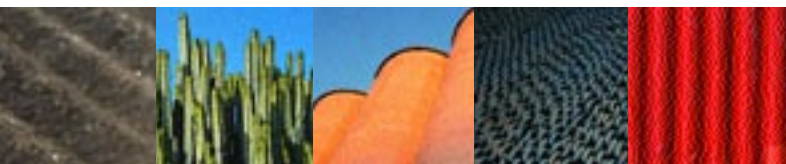


OUR VISION IS TO BE THE BEST TRUCK AND ENGINE COMPANY

International

Environmental, Health and Safety Report 2002





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Company Profile

Navistar International Corporation (NYSE: NAV) is the parent company of International Truck and Engine Corporation, a leading producer of medium trucks, heavy trucks, and severe service vehicles sold under the International® brand and the world's largest mid-range diesel engine manufacturer. In addition, the company provides a comprehensive line of parts for its truck and engine products. IC Corporation, a wholly owned subsidiary, produces school buses. The company also is a private label designer and manufacturer of diesel engines for the pickup truck, van and SUV markets. Products, parts and services are sold through a network of nearly 1,000 dealer outlets in the United States, Canada, and Mexico and more than 60 dealers in 50 countries throughout the world. Additionally, through a joint venture with Ford Motor Company, the company builds medium commercial trucks and sells truck and diesel engine services parts. International Truck and Engine Corporation has the broadest distribution network in the industry. Financing for customers and dealers is provided through a wholly owned subsidiary, Navistar Financial Corporation. Additional information can be found on the company's web site at www.nav-international.com

On the Cover: A new International® 4000 Series truck sits in front of the air pollution incinerator at the company's Springfield, Ohio, operations. The incinerator had been powered by natural gas until recently when employees began to utilize methane gas extracted from a nearby landfill. This methane gas project, along with the resulting environmental and cost savings benefits, earned the International team at Springfield the United States EPA "Energy Ally of the Year Award" and Environmental Protection Magazine's "Facility of the Year." (Photo by Paul Hohman, employee)

Environmental Protection Policy

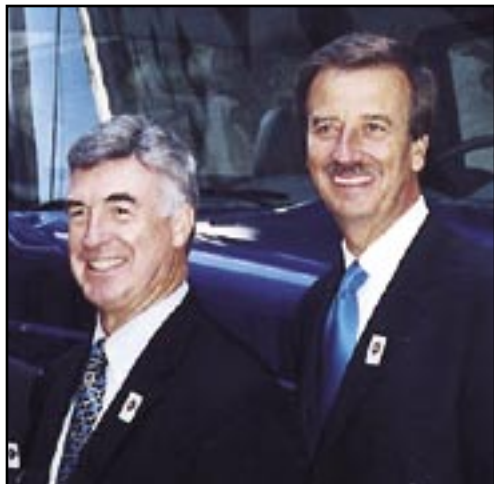
INTERNATIONAL IS COMMITTED to adhering to high standards of environmental quality, to principles of sustainable development and to providing a workplace that protects our employees and the communities surrounding our facilities. To carry out these commitments, in a technically sound and cost-effective manner, it is the policy of International to:

- Conduct all operations in compliance with applicable environmental requirements.
- Design, construct and operate our facilities in a manner that protects our employees, individuals in the neighboring communities and the environment.
- Implement programs for self-monitoring, assessing and reporting to ensure compliance and continual improvement in the pursuit of environmental goals.
- Exercise innovation in optimizing product lifecycle design in our manufacturing processes and our end products to maximize recycling and minimize or prevent the generation of waste and the discharge of contaminants into the environment.
- Ensure, through management support and education, that employees, suppliers, and customers understand and accept responsibility for incorporating environmental quality in their conduct of business.
- Work with all levels of government toward the development and implementation of equitable and effective environmental laws, rules, regulations and policies.
- Establish and maintain operating procedures and programs to implement our corporate environmental protection policy.



Health, Safety and Environment: Our Progress

OUR COMMITMENT



John R. Horne, Chairman (left) and Daniel C. Ustian, President and Chief Executive Officer (right)

DURING THE PAST YEAR, we made progress in all these areas. In our products, we delivered on our commitment to enable diesel engines to achieve their full potential as the environmentally friendly power plant of choice. We assured that our heavy trucks used engines that met new EPA emissions requirements set by the federal Environmental Protection Agency. We also delivered the first diesel school buses to qualify for "lower emission" funding support from the state of California. In addition, we launched the International® Emissions Technology Program, a retrofit initiative that enables trucks and buses already in service that use ultra-low-sulfur diesel fuel to meet 2007 standards for particulate matter and hydrocarbons, today. We are proud to work closely with environmentally conscious customers to deliver these improvements. We will continue to build on this record of accomplishment as we strive to meet the EPA's tough 2007 standards.

Our technology leadership and public support for environmentally sound approaches has helped to forge a growing consensus around the profound environmental benefits of advanced diesel technologies, including their efficiency and reduction of carbon dioxide that has been linked to global climate change. As confirmation of this trend, a recent J.D. Power and Associates study cited heightened acceptance of diesel engines among

In 2002, as we celebrated our company's 100th anniversary, we also continued to build on our long-standing company philosophy that corporate social responsibility is good business. Over the years, we have systematically worked to improve our performance in the areas of environment, health and safety. Based on sound science and leading-edge engineering, we consistently endeavor to build ever better products, to improve our health and safety performance, and to meet environmental standards in advance of regulatory requirements.

consumers. Our Green Diesel Technology® school buses have already found favor with school districts in states such as California where ultra-low-sulfur fuel is available. Thanks to regulatory initiatives underway, that market base should continue to grow.

Our facilities built on their past record of environmental stewardship. In fact, International was recognized with eight environmental awards during the year. We moved closer to full ISO 14001 certification, as the Conway, Ark., and Waukesha, Wis., plants earned certifications for their environmental management systems. In addition, the Indianapolis engine plant and foundry, the Melrose Park, Ill., engine plant and engineering center, the Escobedo, Mexico truck assembly plant, our Brazil engine assembly plant and our Argentina engine assembly plant all earned re-registrations of their ISO 14001 certification. We continue to work toward certification of all of our operations by the end of 2003.

On a number of fronts, International's people set a new standard for a healthy, positive, productive and safe work environment. During 2002, our employees published more than 10 studies that contributed to the industry's knowledge in these areas, and our health and safety efforts were repeatedly cited for excellence. International is now the first company in Illinois to be recognized for three consecutive years by the Wellness Councils of America as one of

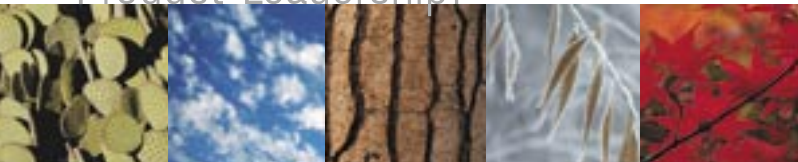
"America's Healthiest Companies." International also became the first company to receive an award for workplace health and safety from the Great Lakes Centers at the University of Illinois at Chicago. We built on these results in our new labor agreement with the United Auto Workers, which strengthens health and safety programs and improves productivity.

While we achieved major milestones in the areas of environment, health and safety during 2002, we also recognize that there is great potential for further improvement. We continue to set aggressive future targets that will drive the company toward higher performance, an improved working environment for employees, better relationships with key stakeholders and, ultimately, enhanced success in the marketplace.

Chairman

DANIEL C. USTIAN
President and
Chief Executive Officer

Product Leadership:



DIESEL TAKES CENTER STAGE



INTERNATIONAL IS AT THE FOREFRONT of the movement to continuously reduce potentially harmful emissions. Over the decades, we have delivered some notable firsts on behalf of our customers and the environment. At the same time, we've educated the public about the remarkable benefits of low-emitting diesel technology.

In 1989, International demonstrated a truly smokeless diesel engine, five years ahead of the EPA's deadline. In 1996, we became the first manufacturer to demonstrate we could meet tough heavy-duty emissions standards then scheduled for implementation in 2004. In 2001, we demonstrated that our Green Diesel

Technology® school buses, utilizing a catalyzed diesel particulate filter and ultra-low-sulfur fuel, could meet the EPA's heavy-duty diesel vehicle emission standards for reduced particulate matter (PM) and hydrocarbons (HC) six years ahead of schedule.

We built on this record of achievement in 2002, as more than 100 of these low-emitting school buses, reducing PM and HC emissions to levels below those of natural gas buses, were delivered to California school districts. For trucks and buses already in service, we launched the International® Emissions Technology Program, which provides a retrofit kit that can reduce PM and HC emissions by more than 80 percent when ultra-low-sulfur diesel fuel is used. With this program in place, school districts in states where the fuel is available are achieving emission reductions by retrofitting existing buses as well as purchasing new ones.

One of our goals is to educate the public that advanced diesel technology not only offers greater fuel economy than gasoline engines, but also equals or surpasses them on most key environmental measures, including carbon dioxide, which has been linked to global climate change. Recent media coverage shows

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HIGHLIGHT ON:

The Research: Diesel vs. Compressed Natural Gas

IN 2002, SEVERAL STUDIES PROVIDED clear evidence supporting the benefits of low-emitting diesel technologies compared with compressed natural gas:

- A study conducted by the Southwest Research Institute (SwRI) found that exhaust emissions from a natural gas school bus contained higher levels of air pollutants and toxic air contaminants than emissions from a school bus powered by an advanced, low-emitting diesel engine.
- The California Air Resources Board (CARB) conducted two studies in 2001-2002 comparing diesel and natural gas transit bus emissions. In eight of 11 categories tested, a low-emitting diesel bus powered by ultra-low-sulfur fuel and equipped with a particulate trap produced lower levels of pollutants than a similar bus powered by natural gas.
- A University of Maryland research team concluded that compressed natural gas-powered buses are on average 2.5 times more prone to fire fatality risk than diesel-powered school buses, because diesel fuel has a higher flash point.

International continues to support scientifically sound research that, along with our new technologies, is changing the way the world thinks about diesel.



that, in conjunction with our efforts, diesel is becoming more widely accepted. For example, nearly one-third of consumers recently surveyed by J.D. Power and Associates said they would opt for diesel engines in an automobile, assuming it ran as cleanly and performed as efficiently as a natural gas engine. We'll continue working to build understanding that diesel can be a very important part of our nation's total energy solution.

Crucial to this improvement is the availability of ultra-low-sulfur diesel fuel. International has consistently supported the Environmental Protection Agency's decision to mandate its availability by 2006. Already, a number of energy companies are selling ultra-low-sulfur diesel fuel in markets across the U.S., providing greater opportunity for low-emitting solutions, including our Green Diesel Technology® vehicles and products.

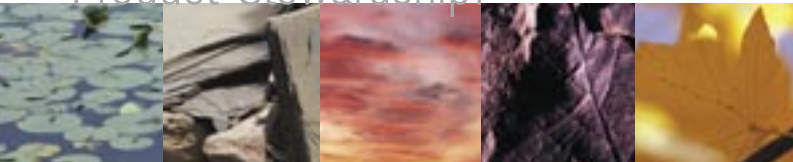
In 2003, International will continue to work toward our goal of meeting federal emissions standards in advance of federal requirements whenever possible. In addition to meeting 2007 standards for PM and HC, we are also working hard to reduce emissions of nitrogen oxide (NOx).

As we develop leading-edge technologies and products, we will continue to participate in the public policy process and build dialogue with customers, regulators and other parties committed to improving the environment.



The International® F535 8500 Truck (upper left), 7400 Fire Truck (upper right) and the Green Diesel Technology® school bus (lower left) deliver leading-edge diesel technologies in addition to exceptional maneuverability, driver comfort and serviceability.

Product Stewardship:



A WINNING PHILOSOPHY

Our Commitment At International, we embrace the philosophy of product stewardship, which we define as working to understand and limit any potential adverse health effects of our products throughout their entire life cycle. With a clearly focused product stewardship program, we expressly undertake the development of products with the health and safety of customers and other stakeholders in mind.

Support of Scientific Studies Our approach to product stewardship includes an ongoing commitment to support scientific research into health issues related to diesel emissions. We are continuing studies initiated in 2001 that cover a range of issues, including the effect of diesel emissions on truck drivers and miners, exposure studies on school bus emissions, and studies of the relative health and safety properties of diesel and other fuels, such as compressed natural gas.

We have also partnered with our stakeholders to determine the potential risks of other factors, ranging from the assessment of mercury use in truck gauges and other truck parts to the calculation of possible risks from the



(top) At our Springfield paint facility, International uses only paint products that are free of hazardous pollutants. (bottom) This manipulator eliminates the need for concern about the weight of the front engine cover. The operator needs only to position it properly on the engine.

cadmium contained in bolts and nuts. In addition, we provided assistance to the United Auto Workers union in its assessment of potential cancer risks in foundries. Our commitment is to take action, wherever it is needed, to assess potential risks and to communicate them to our stakeholders, including customers, investors and employees.

Product Risk Management Another element of our approach to product stewardship is product risk management, which facilitates and helps to manage the development of more environmentally friendly products. This aspect is evident in our low-emitting Green Diesel Technology® vehicles, developed to meet regulators' increasingly stringent standards. Through every stage of development we are committed to working with our stakeholders to develop new products that address any health and safety issues that might arise.

Elimination of Regulated Substances Our philosophy of product stewardship is also manifested in our continued commitment to strategies that eliminate regulated substances from our products. This approach enables us to meet customer requirements, while also complying with stringent new European regulations on vehicle recycling.

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EMISSIONS REDUCTIONS:

IN 2002, INTERNATIONAL continued to implement programs to reduce the environmental impacts of our manufacturing operations. The company set five-year goals in several areas to advance our pollution prevention efforts.

International is committed not only to minimize the amount of waste we generate from our operations and the emissions we release to the environment, we also pay close attention to the amount of energy being consumed at each of our plants. We ensure that each plant sets specific objectives and targets in these areas with detailed action plans to help achieve the desired results. These charts show our progress and also demonstrate that

we faced some challenges in 2002. We had measurable increases in waste generation in 2002 compared to 2001 as we were able to report our first full year of data for our Huntsville, Ala., Tulsa, Okla., and South American plants. Our numbers also reflect the effect of modifying our plants for new products and processes.

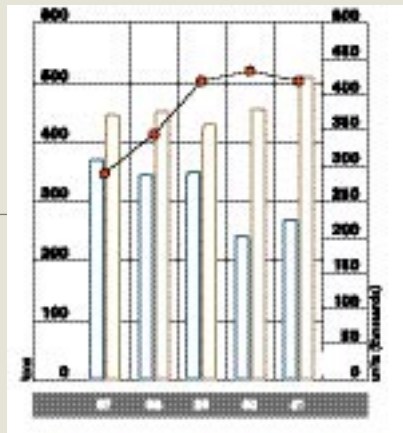
With the action plans that have been developed as part of each plant's ISO 14001 environmental management system, we are confident that we will be able to demonstrate continual improvement in the years to come.

In these and other ways, we are working alongside government agencies to produce the right solutions to meet society's future environmental needs.

Accomplishments in 2002 The company commenced an important new research initiative, the Advanced Collaborative Emissions Study (ACES), undertaken in collaboration with the Engine Manufacturers Association and principal government agencies. The goal of ACES is to develop the necessary data to assess emissions and health effects from advanced prototype engines, aftertreatment systems and reformulated fuels. Sustained, scientifically valid research will be critical to International's roll out of new, low-emitting technologies over the next several years.

Embracing product stewardship has allowed us to enhance our competitive advantage and maintain, as top priorities, the safety of our employees and customers as well as the protection of the environment. With a proactive product stewardship approach, we will meet this challenge, continue to enhance our understanding of diesel and other technologies and sustain the trust of our customers, the public and the government.

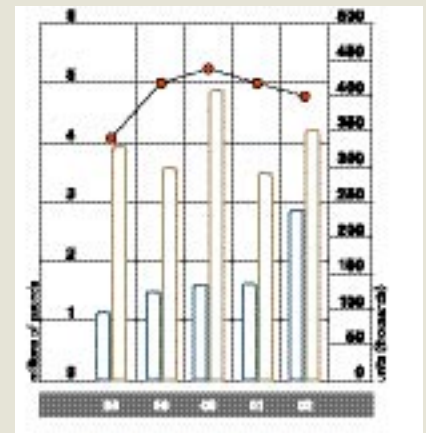
TRI RELEASES (U.S. FACILITIES)*



0 off-site 0 recycled 0 truck and engine shipments

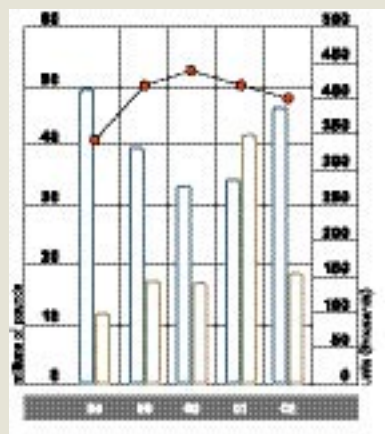
* TRI data for 2002 will be available July 1, 2003 based on U.S. EPA guidelines

HAZARDOUS WASTE GENERATION



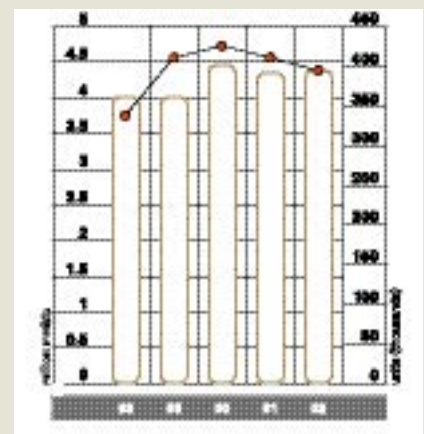
0 disposed 0 recycled 0 truck and engine shipments

NON-HAZARDOUS WASTE GENERATION



0 disposed 0 recycled 0 truck and engine shipments

ENERGY CONSUMPTION



0 energy consumption 0 truck and engine shipments

Environment and Energy: Setting the



INDUSTRY STANDARD

A FOCUS ON ENVIRONMENTAL PROTECTION and energy conservation is a crucial part of how we do business at International. We treat compliance with regulations as a baseline and continually work to exceed accepted standards. Through the dedicated work of the entire environmental affairs team, International continues to lead the industry on environmental and energy issues.

Overcoming Obstacles: Turning Environmental Hurdles into Economic Advantages Our employees' ingenuity and innovation in this area have yielded great benefits not only for the environment, but also for our company. During 2002, our Springfield assembly plant furnished several notable examples. When Springfield's incinerator for Volatile Organic Compounds (VOCs) faced the hurdle of high energy costs, our people developed the idea to use landfill gas (methane) as fuel for the incinerator. In addition, the plant enhanced its efforts to recycle and reuse solvent wastes. As a result of these and other initiatives, Springfield was voted "Facility of the Year" by Environmental Protection magazine.

We also sustained our companywide commitment to the "WasteWise" program, a voluntary program sponsored by

the U.S. EPA of which International is a charter member. On a local level, we encourage our facilities to maintain pollution reduction partnerships with groups in their communities.

Best Practices: Awards and Recognition

We are proud of the recognition International received this year from outside parties, including both key governmental bodies and environmental groups. The City of Rock Island, Ill., recognized International for our strict compliance with the city's 2001 pre-treatment program. We also received the Perry Fisher Award for outstanding dedication and service to the Lake Michigan State Section of the Air and Waste Management Association, a well-regarded environmental group. Our Melrose Park engine plant was honored by the State of Illinois at the 16th Annual Governor's Pollution Prevention Award Ceremony, where it received the Continuous Improvement Award for outstanding achievements in waste reduction and pollution prevention. In 2002, the plant reduced its natural gas usage by 12 percent; expanded its recycling programs for paper, cardboard, cans, bottles, printer/toner cartridges and dry cell batteries; and

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HIGHLIGHT ON:

Our Partnership with Ford

FORD MOTOR COMPANY is one of International's most valued business partners. During 2002, our facilities in Indianapolis, Ind., Huntsville, Ala., Argentina, Brazil and Mexico, as Tier 1 suppliers to Ford, have all committed to certify compliance to Ford's Restricted Substances Management Standard (RSMS). A significant step in this ongoing compliance effort was completed at the end of December, 2002, when International used the International Material Data System (IMDS) to collect and report material and substance information for products manufactured at the Argentina engine assembly plant.

By meeting Ford's RSMS requirements in advance of its deadlines, International Engines South America underscored our commitment to comply with the European End of Life Vehicle (ELV) initiative, thus helping Ford sustain its leadership in the European automotive market. RSMS compliance also helped put International at the top of Ford's major Tier 1 suppliers.

Our positive relationship with Ford is also evident at our Escobedo assembly plant, where our joint venture, Blue Diamond Truck Company SRL, produces trucks and parts. While ensuring compliance with all applicable environmental requirements, the plant's environmental team also maintained a good relationship with regulators and the surrounding community. For example, the facility donated its used trash drums to three different community organizations and worked with Barriles Metallicos, a permitted drum recycler, to clean the used drums prior to donation. These efforts help fulfill one of the facility's objectives to promote environmental awareness within the community, which is an important part of the plant's overall environmental management system.

replaced an old cooling tower with a new, high-efficiency model.

Our Chairman, John R. Horne, has consistently been a strong supporter of environmental and energy programs at International. His leadership and the work of all employees in reducing diesel emissions was recognized in March 2002 by the Great Lakes Centers at the University of Illinois Chicago, known throughout the world for its efforts to enhance environmental and occupational health and safety.

Progress on ISO 14001 Certification

The ISO 14001 process, which details a facility's environmental management systems, requires a substantial time commitment and engages the attention of a plant's entire workforce. International enthusiastically embraces this process as a critical key to meeting customer and societal requirements.

During 2002, both International's Waukesha foundry and IC Corporation's Conway bus plant received ISO 14001 Certificates of Registration for their environmental management systems for the first time. The Melrose Park engine plant, Indianapolis Casting Corporation and the Indianapolis engine plant celebrated the renewal of their ISO 14001 registrations, and the Canoas, Escobedo, and Jesus Maria plants successfully passed surveillance audits. ISO 14001 registration requires facilities to demonstrate top management support, the involvement

of line managers and supervisors, and implementation of environmental requirements by all employees.

Conformance to the ISO 14001 standard provides a framework for continued compliance, for a sustained drive to prevent pollution and for additional environmental improvements in all our operations and processes. We are committed to working toward certification of all of our operations by the end of 2003.



HIGHLIGHT ON:

New Hope for an Abandoned Site

THE 1980 SHUTDOWN OF the Wisconsin Steel Works eliminated 10,000 jobs from Chicago's South Side and left the city with a large parcel of contaminated land. International, which had previously owned the site for almost 100 years, decided to reassume responsibility in the mid-1990s to play a key role in site remediation and development.

Today, the hard work and dedication of the International environmental team has helped to reclaim a large tract of the abandoned Wisconsin Steel site and to give the community a fresh start. In 2002, after an extensive review, the Illinois Environmental Protection Agency granted the status of "no further remediation" to approximately 32 acres of property associated with the site. In granting this status, the agency cited International's "prompt actions" to ensure that conditions at these parcels of land do not constitute a threat to human health and the environment. International continues to work on the remaining acreage with a goal of achieving "no further remediation" status for the whole site by the end of 2006.

Now that this status has been achieved and the acreage is deemed suitable for industrial and commercial use, International will sell the land and pave the way for a developer to bring new jobs to the community. According to Alicia Berg, commissioner of the Chicago Department of Planning and Development, "the remediation of the brown-fields sites starts their rebirth as economic engines for the South Side of Chicago."

(top) Indianapolis Casting Corporation (ICC) installed mufflers to reduce the noise coming from the electric-melt exhaust system. These mufflers, ("called stack silencers") reduce the level of noise coming from the electric-melt exhaust system by 34 decibels. (bottom left) Left to right: US EPA Administrator Christie Whitman with Sanjay Patel, environmental manager; Edith Ardiente, vp, environmental affairs; and Chaitin Daiya, Motorola director, sector environmental health & safety, at a recognition event for National Environmental Performance Track members.

Strategies for Employee Health, Safety and Productivity:

WINNING IN THE WORKPLACE

OVER OUR COMPANY'S 100-YEAR HISTORY, it's become increasingly clear that our employees constitute International's greatest strength and that maximizing their value is a winning strategy. That's one key reason why employees' health, safety and productivity remain a major focus for International.



(top) Gary Doss uses the camshaft manipulator to move 25 lb. camshafts from the dunnage (container) to the line. (bottom left) A supervisor participates in an OSHA training course on how to rescue injured employees from difficult spaces. (bottom right) Robots now are able to deburr all oil holes in the crankshafts, quickly and efficiently. The manual operation of this job was extremely time intensive and repetitive.

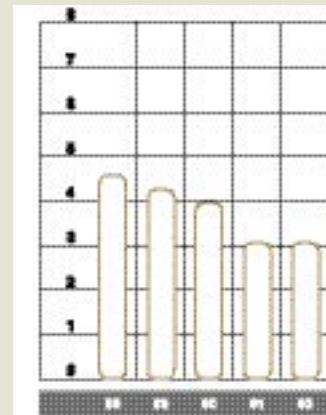
Leading-Edge Insights and Analysis Our philosophy is to invest in programs and approaches that enhance our ability to support employees' health, safety and productivity. During 2002, these included:

- Building the Human Capital Model, to enable us to measure the economic value of employees' performance and to make better informed decisions about the specific benefits of investing in employees through training, leadership planning and other tools.
- Our Springfield plant's work to combat musculoskeletal injuries through an "evidence-based medicine" program—one that applies current best evidence (including clinically relevant research) to decisions about the care of individual patients to improve the quality of medical care.
- Creation of a multi-facility, data-based program that is focused on identifying and addressing allergies' impact on productivity, including absenteeism, accidents and associated healthcare costs.
- Recognition of our best practices by eight different health organizations, and publication of employees' articles in 12 publications.

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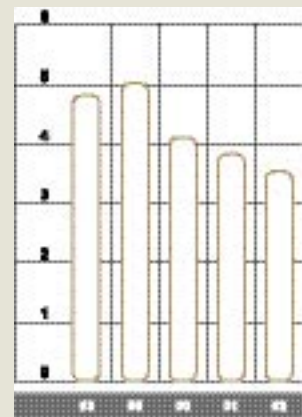
HSP METRICS:

LOST TIME CASE RATE



Manufacturing operations cases per 100 employees

ABSENTEEISM



Controllable absenteeism as a percentage of total hours per year

These programs will speed up our progress toward two closely related goals: maximizing the productivity of our employees and enhancing their well being.

Ergonomic Benefits Are Economic Benefits

Ergonomics is a crucial tool for maximizing the value of employees' contributions. It reduces the stresses that can lead to workplace injuries, job turnover and increased operating costs, while also enhancing productivity.

In 2002, International made significant ergonomic improvements at our facilities. At our Springfield, Ohio, plant, we modified the carrier equipment that traditionally facilitates operators' assembly of truck cabs, creating an ergonomically designed "Ergo Dolly" that is a key component in the plant's new production line. The dolly raises the height of the cab on the conveyor track to accommodate workers of different heights, has a retractable step to eliminate slip-and-fall injuries, and rotates 360 degrees for easier accessibility. Also facilitating improved ergonomics on the new line is a cross-functional team comprised of both UAW and management representatives, which ensures that diverse ideas and perspectives are reflected in the truck assembly process. Due to these and other efforts, the Springfield Assembly

(top) The pallet lift is easily raised or lowered to remain accessible. Carts carrying parts needed by the operators are positioned over the compressed lift. The cart can be raised or lowered to eliminate any bending or reaching by the operator.
(bottom) The award-winning Ergo Dolly has eliminated the number one cause of injury in our Springfield cab trim department—trips and falls.



Plant received a first place award for "outstanding achievements in Safety and Productivity" from the National Safety Council (NSC), which was featured in *Safety & Health* magazine.

The company also expanded to most of its manufacturing sites the 5S program, a systematic process for improving the way in which the physical workplace is organized. The 5 Ss stand for Separate, Straighten, Scrub, Standardize and Sustain. Through 5S, we have established clear workplace standards for visual aids, workstation layouts, racking and quality improvement areas, yielding improved employee safety and workplace efficiency.

Thanks to these and other improvements, International has seen a significant reduction in both the Incident Frequency Rate and Lost Time Case Rate. In line with these declines, total Workers' Compensation costs for International decreased slightly to \$12.3 million in 2002. The total number of new cases also decreased by 23 percent, while the cost of new cases decreased by 27 percent. For 2003, we have established a goal of 20 percent improvement in the areas of Incident Frequency Rate, Lost Time Case Rate Worker's Compensation, Audit Remainder and Absenteeism.

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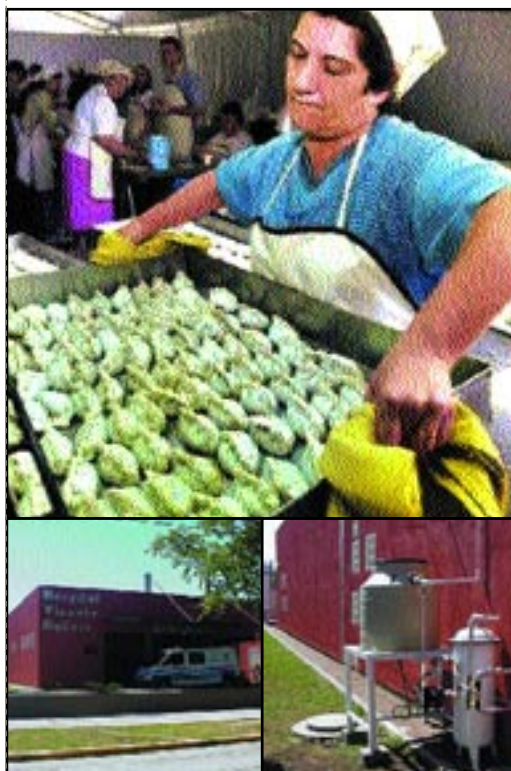


A Systematic Focus on Wellness

Wellness is a key contributor to health, and one that employees can support in crucial ways. "Vital Lives," our employee wellness program, enables employees to reduce lost time, improve productivity and have a positive impact on their own lives.

Employees enjoy Vital Lives sponsored initiatives and also find them effective in contributing to improved health. During 2002, an estimated 65 percent of International employees took part in at least one wellness program, ranging from flu shots to on-site fitness centers to our "Trucking Across North America" (TANA) exercise program. Overall, 48 percent of our employees reported that the programs enabled them to prevent or better handle health problems, while 95 percent of TANA participants reported that they used the programs to maintain or improve their health.

Our wellness programs are recognized industrywide for their creativity and impact. In 2002, for the third year in a row, they earned International the Wellness Councils of America "Gold Well Workplace Award" for workplace



(top) Volunteers at the Jesus Maria plant in Argentina came together to make and sell more than 10,000 empanadas, or meat pies. Proceeds from the sales went toward improvements at the Hospital Regional Vicente Aguero (bottom left) such as the installation of new water treatment equipment (bottom right) and the renovation of the hospital's X-ray equipment.

"UNA MANO AMIGA"

International Lends a Friendly Hand

IN SEPTEMBER 2002, INTERNATIONAL ENGINES SOUTH AMERICA LAUNCHED its social accountability program, "Una Mano Amiga," translated as "a friendly hand." The program was initiated to support needy social institutions in the Jesus Maria community.

International committed to generating sufficient funds to purchase water treatment and sterilization equipment for the local hospital, Hospital Regional Vicente Aguero. To raise funds, the International team held a local community gathering, where company volunteers made and sold empanadas (traditional fried meat pies). International officials, with the aid of other companies, institutions and volunteers, set aggressive targets for this effort, including production of 10,000 empanadas.

The community event was a major success. Musicians and dancers performed in downtown Jesus Maria, while more than 150 volunteers made and sold empanadas. The event also generated headlines on the front page of the most widely read newspaper in the province, La Voz del Interior. But most important, International had an impact on the community that exceeded its original goals. Through the proceeds from the team's empanadas sales, the hospital not only purchased and installed new water treatment equipment, but also repaired and refurbished its X-ray equipment.

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health and safety. International also has been cited as a benchmark company by six different Worksite Wellness Council of Illinois' conferences within a three-year period.

The success of these programs demonstrates that good health is good business. Annual healthcare cost savings from our wellness programs reached an estimated \$4.5 million in 2002 and have saved the company approximately \$11.6 million in healthcare costs since 1998.

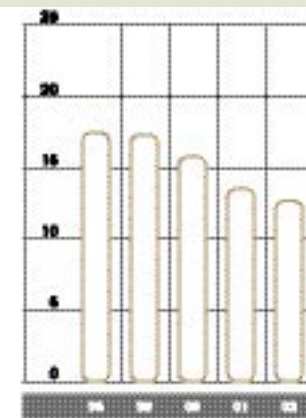
(top) Teri Amonett uses the connecting rod manipulator, which was designed to facilitate the easy movement of 39 powdered metal rods from dunnage (container) to the "walking beam" on the piston sub-assembly machine. (bottom) William Smith (left) and Jerry Brooks tighten and check valves. Pneumatic tools and electric guns are at the perfect height for quick, easy access.



(above) Harold Collins attaches the oil pickup tube to each engine at this station. The partially assembled engine travels slowly and smoothly along the conveyors at the best possible heights to foster high production without strain and fatigue for the operators.

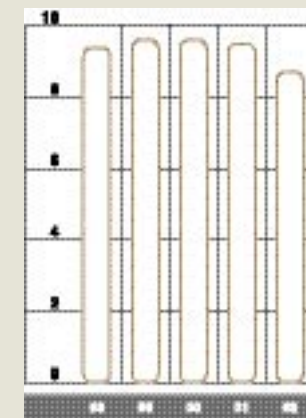
HSP METRICS:

INCIDENT FREQUENCY RATE



Manufacturing operations incidents per 100 employees

DISABILITY



Total costs per millions of dollars

Top Awards 2002:



WINNING RECOGNITION

Environment & Energy

- Springfield Assembly Plant was named one of Environmental Protection magazine's Facilities of the Year for 2002 (only five are named annually)
- The City of Rock Island, Ill., recognized International for excellent compliance with the city's 2001 pre-treatment program
- International was awarded the Perry Fisher Award for outstanding dedication and service to the Lake Michigan State Section of the Air and Waste Management Association, a prestigious environmental group
- Melrose Park plant won the Continuous Improvement Award at the 16th Annual Governor's Pollution Prevention Award Ceremony
- International Engines South America met Ford Motor Company's 2002 Restricted Substance Management Standard
- Springfield Assembly Plant was named a Charter Member of the National Waste Minimization Partnership
- From the Illinois EPA, International received No Further Remediation (NFR) letters for two of the six parcels at the Wisconsin Steel Works

site, making the parcels available for industrial redevelopment

- Fort Wayne Truck Development and Technology Center received the Allen County Solid Waste District Partnership Award from the Allen County Solid Waste Management District for its help in achieving the District's waste reduction goals.
- ISO 14001 Certification—Conway Bus Plant
- ISO 14001 Certification—Waukesha Manufacturing Facility
- ISO 14001 Re-registration—Indianapolis Engine Plant and Indianapolis Casting Corporation
- ISO 14001 Re-registration—Melrose Park Engine Plant and Engineering Center
- ISO 14001 Re-registration—Escobedo, Mexico Truck Assembly
- ISO 14001 Re-registration—Brazil Engine Assembly
- ISO 14001 Re-registration—Argentina Engine Assembly

Energy Conservation Policy

INTERNATIONAL SUPPORTS CONSERVATION AND optimal utilization of all energy sources. The company promotes the efficient and cost-effective use of energy in its businesses. To this end, it is International's policy to:

- Design and develop energy-efficient vehicles and engine products.
- Utilize alternative fuels for vehicle and engine products consistent with cost effective operation and customer preferences.
- Operate all company facilities and manufacturing processes with energy-efficient practices.
- Design facilities and equipment with energy-efficient practices.
- Design facilities and equipment with energy-conserving features.
- Specify use of materials in product designs and manufacturing processes that optimize energy utilization.
- Comply with all federal and state energy regulations.

HIGHLIGHT ON:

Diesel in the News

"...in a striking change of heart that could alter the kinds of cars and trucks Americans drive, the chairman of the powerful California Air Resources Board is taking a new look at diesel vehicles. He thinks they're poised to emerge as part of the solution to a different environmental problem that's gaining more attention in the U.S.: global warming." — THE WALL STREET JOURNAL, OCTOBER 24, 2002

"Clean, quiet and powerful diesel vehicles are speeding out of dealers' showrooms and have captured a 40 percent share of the European market...It is these sophisticated, relatively clean diesels, offering 30 percent to 40 percent better fuel mileage than gasoline engines, that carmakers plan to introduce to the United States." — LOS ANGELES TIMES, FEBRUARY 16, 2003

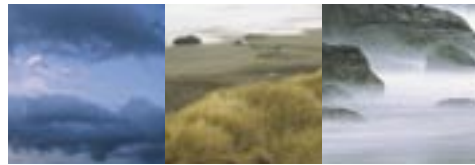
"U.S. consumers are unexpectedly warming to the idea of smoother-running, cleaner-smelling diesel engines in cars and light trucks, says a new survey by J.D. Power and Associates."

— USA TODAY, JANUARY 28, 2003

Health and Safety Policy

THE SAFETY AND HEALTH OF ALL EMPLOYEES is a primary concern of International. The company is committed to providing a safe and healthy work environment and encourages the active involvement and support of all employees. In achieving this end, International will:

- Establish the responsibilities of all levels of management and hold them accountable for implementing programs and procedures according to this policy.
- Continue support and training to inform all employees of hazards and to encourage them to accept responsibility for working safely.
- Establish and maintain operating procedures and programs to implement this safety and health policy.
- Require that all operations conduct business in compliance with applicable safety and health laws and regulations.
- Design, construct, continuously improve and operate all facilities in a manner that encourages the elimination of work-related injuries and illnesses.



Health, Safety & Productivity

- Wellness Councils of America (WELCOA) voted International one of "America's Healthiest Companies" with a Gold Well Workplace Award (for the 3rd consecutive year)
- WELCOA recognized International as a best practice company in two health promotion categories—senior management support and evaluation
- International received the Great Lakes Centers Workplace Health & Safety Award from the Great Lakes Centers at the University of Illinois at Chicago
- International was recognized for its best practices in 2002 by:
 - National Institute for Occupational Safety and Health
 - Institute for Health and Productivity Management
 - American College of Occupational and Environmental Medicine
 - Health Enhancement Research Organization
 - American Foundry Society
 - Healthy People 2000/2010
 - National Safety Council

Company Locations

CORPORATE HEADQUARTERS
Warrenville, Illinois

MANUFACTURING FACILITIES
BRAZIL ASSEMBLY OPERATION
(A contract manufacturing agreement) Medium and Heavy Truck Assembly
Caxias, Rio Grande do Sul, Brazil

CHATHAM ASSEMBLY PLANT
Heavy Truck Assembly
Chatham, Ontario

INTERNATIONAL DIESEL OF ALABAMA
Mid-range Diesel Engines
Huntsville, Alabama

IC CORPORATION
School Bus Assembly
Conway Arkansas
Tulsa, Oklahoma

INDIANAPOLIS CASTING CORPORATION
Precision Grey Iron Castings
Indianapolis, Indiana

INDIANAPOLIS ENGINE PLANT
Mid-range Diesel Engines
Indianapolis, Indiana

INTERNATIONAL ENGINES SOUTH AMERICA ARGENTINA
Light to Mid-range Diesel Engines
Jesus Maria, Argentina

INTERNATIONAL ENGINES SOUTH AMERICA BRAZIL
Light to Mid-range Diesel Engines
Canaos, Rio Grande do Sul, Brazil
MELROSE PARK ENGINE PLANT
Mid-range Diesel Engines
Melrose Park, Illinois

MEXICO ASSEMBLY OPERATION
Medium and Heavy Truck Assembly
Escobedo, Nuevo Leon, Mexico

SPRINGFIELD ASSEMBLY PLANT
Medium Truck Assembly, School Bus Chassis
Springfield, Ohio

SPRINGFIELD CAB ASSEMBLY AND STAMPING FACILITY
Medium Truck Cab Assembly and Stamping
Springfield, Ohio

SST TRUCK COMPANY
Severe Service, Heavy Truck Assembly
Garland, Texas

WAUKESHA MANUFACTURING FACILITY
Ductile Iron Castings and Machining
Waukesha, Wisconsin

ENGINEERING AND

TECHNICAL CENTERS TRUCK ENGINEERING
Fort Wayne, Indiana

ENGINE ENGINEERING
Melrose Park, Illinois
Sao Paulo, Brazil

PURCHASING AND SUPPLIER DEVELOPMENT
Warrenville, Illinois

PARTS OPERATION
Warrenville, Illinois
Brantford, Ontario
Marshfield, Missouri
Shawnee, Kansas

PARTS DISTRIBUTION CENTERS

Atlanta, Georgia
Baltimore, Maryland
Burlington, Ontario
Dallas, Texas
Edmonton, Alberta
Queretaro, Mexico
Richmond, California
West Chicago, Illinois

REGIONAL SALES OFFICES

Atlanta, Georgia
Dallas, Texas
Hamilton, Ontario
Warrenville, Illinois

EXPORT SALES OFFICES

Johannesburg, South Africa
Miami, Florida

USED TRUCK CENTERS

Atlanta, Georgia
Baltimore, Maryland
Charlotte, North Carolina
Chicago, Illinois
Columbus, Ohio
Dallas, Texas
Denver, Colorado
Detroit, Michigan
Houston, Texas
Indianapolis, Indiana
Kansas City, Missouri
Nashville, Tennessee
Oakland, California
Philadelphia, Pennsylvania
Tampa, Florida

NAVISTAR FINANCIAL CORPORATION
Rolling Meadows, Illinois

INTERNATIONAL TRUCK AND ENGINE CORPORATION CANADA
Burlington, Ontario

CAMINOES Y MOTORES INTERNATIONAL DE MEXICO, S. DE R.L. DE C.V.
Mexico City, D.F.

INTERNATIONAL CAMINHOS DO BRASIL, LTDA
Port Alegre, Rio Grande do Sul, Brazil

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